

## Message Text

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PAGE 01 STATE 254116

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ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 /026 R

DRAFTED BY EB/ORF/FSE:WBMILAM:JM

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EB/ORF/FSE:SWBOSWORTH

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EXIM - RALBRIGHT

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S/S-O:DLMACK

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FM SECSTATE WASHDC

TO AMEMBASSY ROME PRIORITY

C O N F I D E N T I A L STATE 254116

EXDIS

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: BILATERAL U.S. - ITALIAN ENERGY WORKING GROUP  
(EWG); ITALIAN FINANCIAL PLAN

REF: ROME 14353; ITALIAN FINANCIAL PAPER TRANSMITTED  
BY EMBASSYS' D.S. - 4 OF 9/30/75 OM 15455

FOR AMBASSADOR FROM ASSISTANT SECRETARY ENDERS

1. WE HAVE CAREFULLY STUDIED THE PAPER OUTLINING THE  
FINANCIAL BACKGROUND AND PLAN FOR ITALY'S NUCLEAR ENERGY  
PROGRAM. THE PAPER IS A BASIS ON WHICH WE CAN BEGIN  
DISCUSSIONS OF THE FINANCIAL ASPECTS OF OUR BILATERAL  
COOPERATIVE EFFORT IN ENERGY. THERE ARE, HOWEVER, MANY  
QUESTIONS ARISING FROM THE PAPER THAT NEED TO BE ANSWERED  
IN ORDER THAT WE KNOW ALL THE SALIENT FACTS AND ASSUMPTIONS  
BEHIND THE PAPER.

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PAGE 02 STATE 254116

2. THE MOST RAPID AND EFFICIENT WAY TO CONTINUE OUR

PROGRESS IN THIS FINANCIAL AREA WOULD BE FOR THE ITALIANS TO SEND A FINANCIAL EXPERT WHO HAS WORKED ON THE FINANCIAL ASPECT OF THE NUCLEAR PROGRAM TO WASHINGTON TO UNDERTAKE TECHNICAL DISCUSSIONS OF THE PAPER, ITS ASSUMPTIONS, AND ITS IMPLICATIONS. THIS IS THE PROCEDURE WE EARLIER AGREED ON WITH MIGLIUOLO. WE ENVISION SUCH DISCUSSIONS TAKING NO MORE THAN ONE DAY AND INVOLVING ONLY STATE DEPARTMENT AND EXIM PERSONNEL ON THE U.S. SIDE.

3. PLEASE CONVEY ABOVE TO MIGLIUOLO AT EARLY OPPORTUNITY. EMBASSY MAY STATE THAT WE FIND SOME DISCREPANCIES IN FIGURES PRESENTED IN PAPER, AND QUESTIONS ARISE AS TO HOW 1976-79 AND 1976-85 PROJECTIONS MESH. THESE KINDS OF TECHNICAL QUESTIONS AS WELL AS ASSUMPTIONS BEHIND PAPER AND IMPLICATIONS OF PLAN OUTLINED IN PAPER SHOULD BE CLEARED UP AS FIRST STEP PRIOR TO HIGH LEVEL DISCUSSIONS ENVISIONED BY MIGLIUOLO WITH EXIM PER ROME 15455 (WHICH WOULD BE SECOND STEP) AND ANY DISCUSSIONS WITH U.S. PRIVATE CAPITAL SOURCES.

4. FYI. THE BASIC PREMISE OF THE ITALIAN PLAN, I.E. THAT A LARGER, COSTLIER NUCLEAR PROGRAM IS BEING IMPLEMENTED AS A RESULT OF THE ENERGY CRISIS AND IEA POLICY TO REDUCE DEPENDENCY, AND THAT THIS CANNOT BE FINANCED IN ITALY OR EUROPE, STRIKES US AS DUBIOUS. BUT THE PREMISE NOTWITHSTANDING, OUR QUESTIONS ABOUT THE ITALIAN PLAN REALLY RELATE TO: 1) THE PROBABILITY OF ENEL'S FINANCIAL SITUATION ACTUALLY BEING ALLEVIATED TO THE EXTENT PLANNED BY RATE INCREASES AND INCREASED SUBSIDIES, 2) WHY THE INCREMENTAL COST OF A 20,000 MW (DOLS. 3.8 BILLION) NUCLEAR PROGRAM CANNOT BE FINANCED FROM DOMESTIC ITALIAN OR EUROPEAN SOURCES AND MUST BE FINANCED FROM U.S. SOURCES; 3) WHAT PRIVATE U.S. CAPITAL SOURCES THE ITALIANS PROPOSE TO TAP FOR THESE FUNDS; 4) HOW MUCH THEY EXPECT TO BORROW IN WHAT TIME FRAME FROM PRIVATE U.S. LENDERS VIS-A-VIS PUBLIC LENDERS. WE WOULD APPRECIATE EMBASSY COMMENTS ON THESE QUESTIONS. KISSINGER

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